

**REPORT OF THE AUDIT OF THE
EDMONSON COUNTY
CLERK**

**For The Year Ended
December 31, 2010**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE EDMONSON COUNTY CLERK

**For The Year Ended
December 31, 2010**

The Auditor of Public Accounts has completed the Edmonson County Clerk's audit for the year ended December 31, 2010. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees increased by \$9,198 from the prior year, resulting in excess fees of \$4,676 as of December 31, 2010. Revenues decreased by \$47,654 from the prior year and expenditures decreased by \$56,852.

Report Comments:

- 2010-01 The Clerk's Payroll Should Be Adequately Documented And Approved
- 2010-02 The Clerk's Office Should Pay Overtime For Hours Worked Over Forty Hours During A Week
- 2010-03 The County Clerk Had \$328 In Disallowed Expenditures
- 2010-04 The County Clerk Overspent The Maximum Amount For Deputies And Assistants Set By Fiscal Court By \$20,103
- 2010-05 The County Clerk Owes Excess Fees Of \$4,668 To The Fiscal Court And Additional Tangible Personal Property Taxes To A Taxing District

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable N. E. Reed, Edmonson County Judge/Executive
The Honorable Larry Carroll, Edmonson County Clerk
Members of the Edmonson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Edmonson County, Kentucky, for the year ended December 31, 2010. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2010, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated July 27, 2011 on our consideration of the Edmonson County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable N. E. Reed, Edmonson County Judge/Executive
The Honorable Larry Carroll, Edmonson County Clerk
Members of the Edmonson County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2010-01 The Clerk's Payroll Should Be Adequately Documented And Approved
- 2010-02 The Clerk's Office Should Pay Overtime For Hours Worked Over Forty Hours During A Week
- 2010-03 The County Clerk Had \$328 In Disallowed Expenditures
- 2010-04 The County Clerk Overspent The Maximum Amount For Deputies And Assistants Set By Fiscal Court By \$20,103
- 2010-05 The County Clerk Owes Excess Fees Of \$4,668 To The Fiscal Court And Additional Tangible Personal Property Taxes To A Taxing District

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Edmonson County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

July 27, 2011

EDMONSON COUNTY
LARRY CARROLL, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2010

Revenues

Revenue Supplement		\$	61,845
State Fees For Services			3,784
Fiscal Court			2,441
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	397,155	
Usage Tax		381,041	
Tangible Personal Property Tax		829,313	
Other-			
Fish and Game Licenses		7,641	
Marriage Licenses		3,001	
Deed Transfer Tax		20,415	
Delinquent Tax		147,983	1,786,549
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts		7,607	
Real Estate Mortgages		19,189	
Chattel Mortgages and Financing Statements		25,869	
Powers of Attorney		1,584	
Affordable Housing Trust			
All Other Recordings		18,264	
Charges for Other Services-			
Candidate Filing Fees		1,360	
Postage		775	
Copywork		1,998	
Fax		17	76,663
Other:			
Affordable Housing Trust		18,684	
Tax Sale Fees		660	
Miscellaneous		1,505	
Overage		939	21,788

The accompanying notes are an integral part of this financial statement.

EDMONSON COUNTY
 LARRY CARROLL, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

Revenues (Continued)

Interest Earned	\$	389
Total Revenues		1,953,459

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	268,086
Usage Tax		369,585
Tangible Personal Property Tax		329,835

Licenses, Taxes, and Fees-

Fish and Game Licenses		7,584
Delinquent Tax		14,853
Legal Process Tax		11,765
Affordable Housing Trust		18,684

\$ 1,020,392

Payments to Fiscal Court:

Tangible Personal Property Tax	98,061	
Delinquent Tax	16,037	
Deed Transfer Tax	19,395	
Tax Bill Preparation	2,840	136,333

Payments to Other Districts:

Tangible Personal Property Tax	368,313	
Delinquent Tax	69,772	438,085

Payments to Sheriff 12,729

Payments to County Attorney 20,328

The accompanying notes are an integral part of this financial statement.

EDMONSON COUNTY
 LARRY CARROLL, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$	88,851
Part-Time Salaries		30,252

Employee Benefits-

Employer's Share Social Security	14,554
Employer's Share Retirement	28,356
Employer's Paid Health Insurance	18,360

Contracted Services-

Scanning and Indexing	8,310
Printing and Binding	4,530
Accounting	6,875
Technical Support	8,087

Materials and Supplies-

Office Supplies	6,341
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Other Charges-

Conventions and Travel	2,016
Dues	1,060
Postage	2,545
Telephone	1,957
Fees for Service	575
Office Cleaning	1,970
Repairs	315
Refunds	1,912

Bad Debt Expense	170	\$	227,036
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Capital Outlay-

Office Equipment	14,504
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Total Expenditures \$ 1,869,407

Less: Disallowed Expenditures 328

Total Allowable Expenditures 1,869,079

The accompanying notes are an integral part of this financial statement.

EDMONSON COUNTY
 LARRY CARROLL, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

Net Revenues		\$	84,380
Less: Statutory Maximum			<u>76,104</u>
Excess Fees			8,276
Less: Expense Allowance			<u>3,600</u>
Excess Fees Due County for 2010			4,676
Payments to Fiscal Court - January 31, 2011	\$	3	
May 9, 2011		<u>5</u>	<u>8</u>
Balance Due Fiscal Court at Completion of Audit		\$	<u><u>4,668</u></u>

The accompanying notes are an integral part of this financial statement.

EDMONSON COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2010

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2010 services
- Reimbursements for 2010 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2010

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

EDMONSON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2010
(Continued)

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.16 percent for the first six months and 16.93 percent for the last six months.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Edmonson County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The Edmonson County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2010, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable N. E. Reed, Edmonson County Judge/Executive
The Honorable Larry Carroll, Edmonson County Clerk
Members of the Edmonson County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Edmonson County Clerk for the year ended December 31, 2010, and have issued our report thereon dated July 27, 2011. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Edmonson County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comments and recommendations, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying comments and recommendations as item 2010-01 to be a material weakness.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Edmonson County Clerk's financial statement for the year ended December 31, 2010, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations as items 2010-02, 2010-03, 2010-04, and 2010-05.

The Edmonson County Clerk's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the County Clerk's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Edmonson County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

July 27, 2011

COMMENTS AND RECOMMENDATIONS

EDMONSON COUNTY
LARRY CARROLL, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2010

INTERNAL CONTROL - MATERIAL WEAKNESS:

2010-01 The Clerk's Payroll Should Be Adequately Documented And Approved

Based on a test of the County Clerk's payroll the following problems with the pay period tested were identified:

- Payroll reports were not completed
- Employees were paid a set amount regardless of hours worked
- One employee did not have a timesheet for the pay period tested
- One employee had two different timesheets for the same pay period
- Timesheets were not totaled weekly to ensure payroll is accurate
- No evidence of supervisory review of the timesheets for the pay period
- Leave time used was not always noted on the payroll calendar, which affects leave balance totals
- Leave time used was not compared to the time recorded on the payroll calendar

KRS 337.320 requires the County Clerk to maintain a record for each employee stating the number of hours worked each day, and the amount paid each pay period to each employee.

We recommend all employees turn in a timesheet and timesheets be approved by the County Clerk or a designee before payroll is processed. Employees should be paid hourly as required by wage and hour laws and hours should be totaled on timesheets. The payroll calendar should document all time off taken by employees and this should be compared to timesheets by the County Clerk or a designee. Additionally, employee's leave balances should be totaled monthly. The County Clerk or designee should document the review of payroll on all timesheets and the payroll calendar.

County Clerk's Attorney's Response on Behalf of County Clerk: The County Clerk will continue to ensure time keeping standards are satisfied and standards currently in place were implement and consistent with, and in response to, prior County Clerk audits.

STATE LAWS AND REGULATIONS:

2010-02 The Clerk's Office Should Pay Overtime For Hours Worked Over Forty Hours During A Week

KRS 337.285(1) requires employers to compensate employees for any hours worked "in excess of forty (40) hours in a workweek at a rate not less than one and one-half (1-1/2) times the hourly wage rate at which he is employed." The County Clerk currently compensates his full-time employees on a salary basis regardless of hours worked (See finding 2010-1). In order to be paid a set salary regardless of hours worked, the employee must qualify as an exempt employee as defined in Section 3 of 803 KAR 1:070.

EDMONSON COUNTY
 LARRY CARROLL, COUNTY CLERK
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2010
 (Continued)

STATE LAWS AND REGULATIONS: (Continued)

2010-02 The Clerk's Office Should Pay Overtime For Hours Worked Over Forty Hours During A Week (Continued)

We also discovered the County Clerk's employees and other individuals were working after office hours as contract labor for scanning and indexing records to include on the County Clerk's website. Employees were being compensated on a flat rate for scanning and indexing records instead of being compensated hourly. As discussed in IRS Publication 15, Circular E, an individual cannot be treated as an employee and also as an independent contractor. While the payroll records and W-2 forms were corrected to reflect the amounts paid to employees working after office hours as contract labor, KRS 337.285 (1) may have been violated because the County Clerk did not compensate employees working after office hours based on their salary and overtime rate. We were unable to determine if additional wages for overtime are due employees.

We recommend the County Clerk consult the Kentucky Department of Labor on determination of exempt or non-exempt status of employees. Because we were unable to determine if additional wages for overtime are due employees, we have also referred this finding to the Kentucky Department of Labor for further investigation.

County Clerk's Attorney's Response on Behalf of County Clerk: As we discussed during the exit interview, the Edmonson County Clerk's Office receives a \$60,000 annual supplemental fund from the Kentucky County Clerk's Association. This fund is received by counties determined to be impoverished. The past two years, the County Clerk's Office has used these funds to digitize and index decades old county land records as a service and benefit to the public. In 2009, the Clerk's Office utilized independent contractors to provide these services. The aforementioned comment of the audit refers to the Clerk's Office employing deputy clerks during their off time to provide these independent contract services. The services they were providing are succinct and separate from their duties as Deputy County Clerks. The County received great value for the work and the audit makes no mention otherwise. Nonetheless, the Clerk has already ceased the practice of hiring Deputy County Clerks as independent contractors to provide such services.

Auditor's Reply: The \$60,000 annual supplement referred to in the Clerk's Attorney's response does not come from the Kentucky County Clerk's Association. This supplement was established by KRS 186.040(6)(c). It is a fee collected by each County Clerk and is submitted to the Kentucky Transportation Cabinet to be placed in a trust fund. The Kentucky Transportation Cabinet distributes the funds to County Clerks' offices in counties containing a population of less than 20,000. It is to be deposited into the fee account in the year received and used for the operation of the Clerk's office.

2010-03 The County Clerk Had \$328 In Disallowed Expenditures

Based upon audit work performed, auditor determined there was \$328 in disallowed expenditures in the County Clerk's official fee account for 2010. In Funk vs. Milliken, 317 S.W. 2d 299 (KY 1958), Kentucky's highest court reaffirmed the rule that county fee officials' expenditures of public funds will be allowed only if the expenditures are necessary, adequately documented, reasonable in amount, beneficial to the public, and not predominantly personal in nature.

EDMONSON COUNTY
 LARRY CARROLL, COUNTY CLERK
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2010
 (Continued)

STATE LAWS AND REGULATIONS: (Continued)

2010-03 The County Clerk Had \$328 In Disallowed Expenditures (Continued)

While testing, the auditor determined that the County Clerk expended \$100 for Chamber of Commerce Dues and \$228 for coffee.

We recommend the County Clerk deposit personal funds in the amount of \$328 into the 2010 Fee Account for these disallowed expenditures. We also recommend the County Clerk's office expend funds for official purposes and that these expenditures be necessary, adequately documented, reasonable in amount.

County Clerk's Attorney's Response on Behalf of County Clerk: The County Clerk specifically disputes the Audit's finding that the nominal amounts expended for coffee and for membership in the Edmonson County Chamber of Commerce are not necessary, adequately documented, reasonable in amount, beneficial to the public, and/or predominantly personal in nature. According to Comment #3 to the 2010 Audit, it appears the Auditor's Office primarily believes these expenses are not necessary. This was further evidenced by the statements of the Auditors during the exit interview. The County Clerk specifically notes the Edmonson County Fiscal Court likewise expends a minimum of \$100 per year for membership in the Chamber of Commerce. With regard to the amounts expended on coffee, the \$228 is imminently reasonable and certainly benefits the public as it is utilized by the public during their visits to the County Clerk's Office. The County Clerk routinely and regularly provides coffee for members of the general public while they visit numerous other County Offices in close proximity to the County Clerk's Office, including the Judge Executive's Office and other County Offices located in the same building.

2010-04 The County Clerk Overspent The Maximum Amount For Deputies And Assistants
 Set By Fiscal Court By \$20,103

During our audit, we noted the Edmonson County Clerk overspent the deputies' maximum salary limitation as fixed by the Fiscal Court by \$20,103. The Edmonson County Fiscal Court fixed the Deputies' salary limit at \$99,000; however, the Clerk expended \$119,103 as compensation to deputies. Of the \$119,103, \$14,600 was originally paid to deputies as contract labor for scanning and indexing records. Prior to year-end, the bookkeeper re-categorized these payments from contract labor to salary and included these amounts on the employees' year-end W-2 documents which totaled \$119,103.

KRS 64.530(3) states, "The fiscal court shall fix annually the maximum amount, including fringe benefits, which the officer may expend for deputies and assistants, and allow the officer to determine the number to be hired and the individual compensation of each deputy and assistant."

We recommend the Edmonson County Clerk comply with KRS 64.530(3) by monitoring his payroll expenditures during the year and obtaining any necessary amendments from the Fiscal Court, before year end.

EDMONSON COUNTY
 LARRY CARROLL, COUNTY CLERK
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2010
 (Continued)

STATE LAWS AND REGULATIONS: (Continued)

2010-04 The County Clerk Overspent The Maximum Amount For Deputies And Assistants
Set By Fiscal Court By \$20,103 (Continued)

County Clerk's Attorney's Response on Behalf of County Clerk: In response to this comment, my client advises that his office incurred a deficit of \$4,522 in the last week of 2009. This deficit occurred through the unreasonable and arbitrary budget restraints created by the Edmonson County Fiscal Court. More specifically, in the last few years, the Edmonson County Fiscal Court has arbitrarily and without cause modified and reduced the budgets submitted each year by the Edmonson County Clerk. These arbitrary cuts have been undertaken by the Edmonson County Fiscal Court without seeking or receiving any input from my client and on no justifiable basis. This deficit has been satisfied by the application of 2010 funds. So long as the Edmonson County Fiscal Court continues this arbitrary practice of reducing the Clerk's budget without input, comment, or corporation, the Edmonson County Clerk's Office will continue to be threatened by such deficits. More specifically, the County Clerk adopts the provisions of his Response [above] referencing the arbitrary and unjustified reduction in the Office's budget by the Edmonson County Fiscal Court. These arbitrary reductions and unauthorized "revisions" to the budget of the Edmonson County Clerk are solely and directly responsible for the budgetary issues. Additionally, the County Clerk specifically adopt all comments and assertions referencing the Edmonson County Fiscal Court's unreasonable and arbitrary reduction in the County Clerk's budget as submitted by the County Clerk.

2010-05 The County Clerk Owes Excess Fees Of \$4,668 To The Fiscal Court And Additional
Tangible Personal Property Taxes To A Taxing District

Based upon audit work performed, auditor determined the County Clerk owed \$4,668 in excess fees. The primary reasons for the additional excess fees owed are 2010 monies transferred to 2009 to cover a deficit (see 2009 audit report) and disallowed expenditures (See Comment 2010-3).

As discussed in the prior year audit, the County Clerk covered a deficit that occurred in 2009 of \$4,522 by transferring monies from 2010. As of the audit date, this amount has not been reimbursed to the 2010 fee account as recommended by the auditors.

We recommend the County Clerk reimburse the 2009 fee account \$4,522 with personal funds as recommended by the 2009 audit. We also recommend the County Clerk reimburse the 2010 fee account \$328 for the disallowed expenditures discussed in Comment 2010-3 and \$29 to cover an undetermined immaterial amount. Once these funds are deposited, we recommend the County Clerk transfer the \$4,522 from the 2009 to 2010 fee account and then pay additional excess fees of \$4,668 to the Fiscal Court and \$211 to the City of Brownsville for unpaid tangible personal property taxes.

EDMONSON COUNTY
LARRY CARROLL, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2010
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

2010-05 The County Clerk Owes Excess Fees Of \$4,668 To The Fiscal Court And Additional
Tangible Personal Property Taxes To A Taxing District (Continued)

County Clerk's Attorney's Response on Behalf of County Clerk: In response to this comment, my client advises that his office incurred a deficit of \$4,522 in the last week of 2009. This deficit occurred through the unreasonable and arbitrary budget restraints created by the Edmonson County Fiscal Court. More specifically, in the last few years, the Edmonson County Fiscal Court has arbitrarily and without cause modified and reduced the budgets submitted each year by the Edmonson County Clerk. These arbitrary cuts have been undertaken by the Edmonson County Fiscal Court without seeking or receiving any input from my client and on no justifiable basis. This deficit has been satisfied by the application of 2010 funds. So long as the Edmonson County Fiscal Court continues this arbitrary practice of reducing the Clerk's budget without input, comment, or corporation, the Edmonson County Clerk's Office will continue to be threatened by such deficits.

Auditor's Reply: The Clerk's response indicates the "deficit has been satisfied by the application of 2010 funds." As stated in KRS 64.152, the County Clerk shall provide to the Fiscal Court by March 15 of each year a complete statement for the preceding calendar year of all funds received by his office in an official capacity or for official services, and of all expenditures of his office, including his salary, compensation of deputies and assistants, and reasonable expenses. At the time of filing the statement, the Clerk shall pay to the fiscal court any income of his office, including income from investments, which exceeds the sum of his maximum salary as permitted by the Constitution and other reasonable expenses, including compensation of deputies and assistants. 2010 funds should not be used to cover 2009 expenditures. Each statement filed with the fiscal court is for that preceding year only.

